



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE

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TREASURER ANGELIDES COMMENTS ON FITCH CREDIT ACTION

SACRAMENTO, CA – State Treasurer Phil Angelides made the following statement today in response to Fitch Ratings’ affirmation of its ‘BBB’ rating on California bonds and the agency’s removal of the bonds from ‘Rating Watch Negative.’ According to Fitch, today’s action reflects adoption of the budget for fiscal year 2004-05. However, the agency cites the State’s continuing operating deficit and ongoing borrowing as a concern when reaffirming the current rating which was lowered from A to ‘BBB’ in December 2003. According to Fitch, “Bond proceeds are being used to fund general fund deficits accumulated by June 30, 2004, and actual use will be spread over several fiscal years...The state anticipates a budget gap of around \$5 billion for fiscal 2006.” With Fitch’s action, California’s credit ratings remain the lowest in the nation among states:

“Today’s action by Fitch reaffirms what the financial markets and credit rating agencies have been saying for some time now: the State’s credit rating will not be fully restored until the budget is truly balanced and the State’s deficit spending is brought to an end. Unfortunately this year’s budget will hurt our efforts to raise California’s credit rating.

“Through massive new borrowing, the Governor has masked the State’s true budget condition, leaving future generations to pay higher borrowing costs and hindering our ability to make the smart investments that will truly build our State’s economic future.”

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